BellSouth **DOCKET FILE COPY ORIGINAL** **July 11, 1997**

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Access Charge Reform) CC Docket No. 96-262

REPLY COMMENTS

BellSouth Corporation and BellSouth Telecommunications, Inc. ("BellSouth") hereby submit their Reply to Comments on the *Further Notice of Proposed Rulemaking* ("*Notice*") released by the Commission on May 16, 1997 in the above referenced proceeding.[1]

In the Notice, the Commission solicited comments on two issues: (1) whether presubscribed interexchange carriers charges (PICCs) should be applied to special access; and (2) whether the Part 69 cost allocation rules should be amended so as to allocate a portion of General Support Facilities (GSF) investment to the non-regulated billing and collection access element. Eighteen parties filed comments in this proceeding.

Without exception, all of the parties commenting in this proceeding oppose the Commission's tentative conclusion to assess a PICC on special access services. The Comments represent the views of the full range of industry participants including end users, interexchange carriers, information service providers, trade associations and local exchange carriers. All agree that assessment of PICCs on special access services would not achieve the Commission's

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1 *Access Charge Reform,* CC Docket No. 96-262; *Price Cap Performance Review for Local Exchange Carriers,* CC Docket No. 94-1; *Transport Rate Structure,* CC Docket No. 91-213; *and End User Common Line Charges*, CC Docket No. 95-72, First Report and Order, ("*Access Charge Reform Order*") and Further Notice of Proposed Rulemaking, ("*Notice*") FCC 97-158, released May 16, 1997.

intended results. For instance, most LECs agree that assessment of a PICC on special access lines would make special access services less competitive.[2] The LECs point out that assessment of PICCs on special access services will do nothing to deter uneconomic service bypass because of the competitive alternatives to LEC provided services that already exist.[3] The IXCs likewise oppose the assessment of the PICC on the basis that such charges would force IXCs that purchase special access from incumbent LECs to pay artificially higher special access charges. All of these comments confirm BellSouth's view that the Commission cannot cure an existing implicit subsidy problem by creating a new implicit subsidy mechanism.

Not surprisingly, the IXCs urge the Commission to modify the Part 69 rules to allocate GSF costs to the billing and collection element. Their goal is obvious--pursue any mechanism, regardless of merit, to reduce access charges. None of these parties, however, even consider the fact that existing Part 69 allocation rules over allocate costs to the billing and collection element.[4] Furthermore, the current over-assignment of costs would be exacerbated by the general expense allocator proposed in the *Notice* and supported by most IXCs. As the LEC comments show, the general expense allocator proposed in the *Notice* is too broad and would result in the allocation of costs that are totally unrelated to billing and collection.[5]

BellSouth suggests that the matter of cost allocation requires a more complete analysis, starting with jurisdictional separations reform. The band-aid approach to fixing problems, as

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2 *See e.g.*, Bell Atlantic at 3; GTE at 3; US West at 3.

3 *See e.g.,* USTA at 3, Bell Atlantic at 3, U S West at 3.

4 BellSouth at 5-6.

5 For example, USTA pointed out that the general expense allocator would assign costs associated with special purpose vehicles, garage equipment, aircraft, *etc.* that have nothing to do with billing and collection. USTA at 4.

contemplated by this *Notice*, may be more detrimental than the original condition that the Commission sought to remedy. Nevertheless, if the Commission decides to take some action now, then it should adopt the approach suggested by USTA. In its comments, USTA proposes that the general purpose computer net investment in Account 2124 to net investment in Account 2110 be identified using already available accounting data. The interstate general purpose computer investment amount would be allocated using a slightly modified "Big Three Expense" allocator. The remainder of Account 2110, would be allocated to all other access elements using the current investment allocator. This approach, which is also supported by many parties,[6] would mitigate the misallocation of unrelated billing and collection costs to the billing and collection element.

Respectfully submitted,

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6 *See, e.g.*, Comments of GTE, Ameritech, Cincinnati, and SNET

CERTIFICATE OF SERVICE

I hereby certify that I have this 11th day of July, 1997 served the following parties to this action with a copy of the foregoing **REPLY COMMENTS** by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties on the attached service list.

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